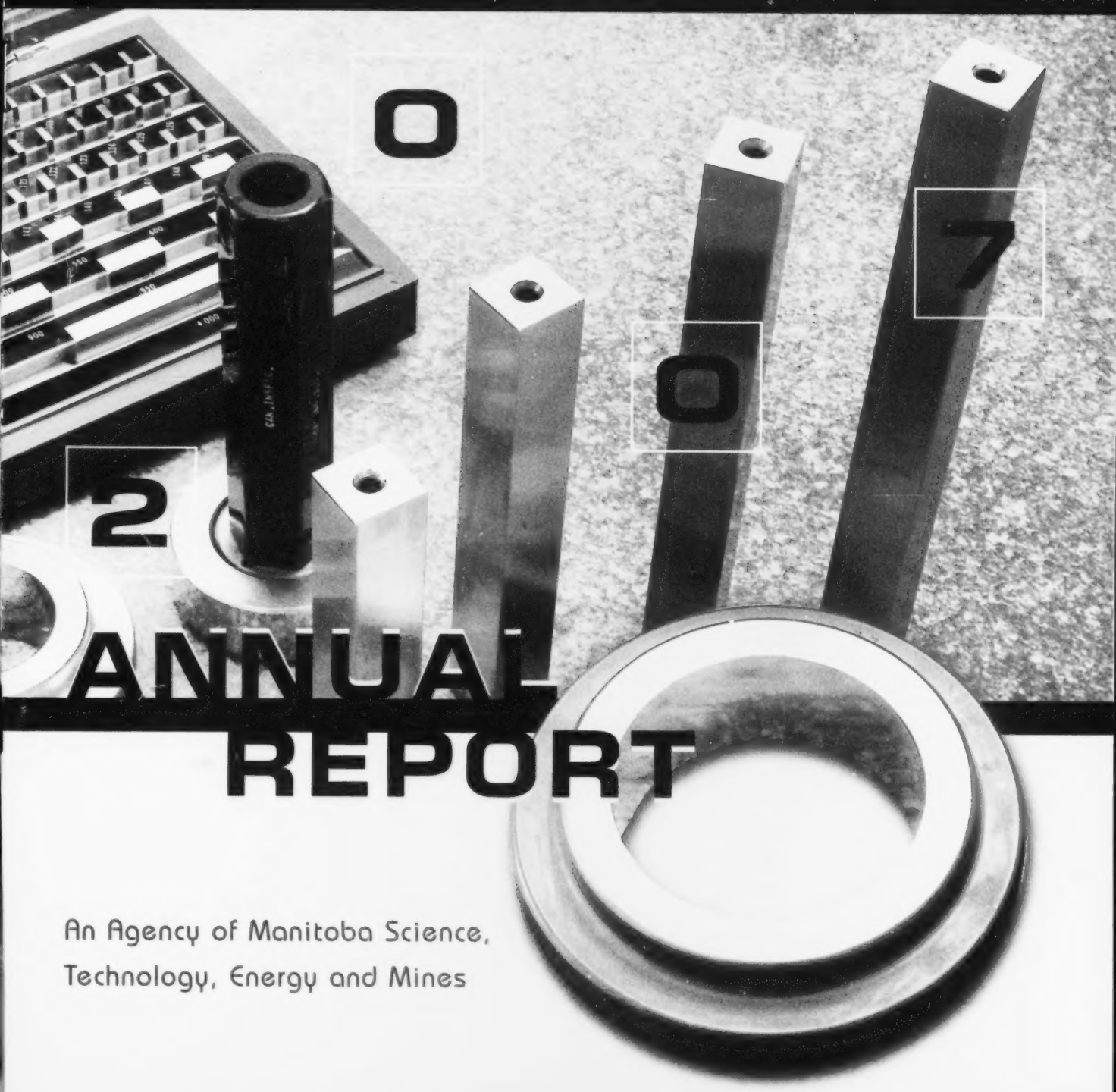
Industrial
Technology
Centre



2007 ANNUAL REPORT

An Agency of Manitoba Science, Technology, Energy and Mines

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"I would like to thank the Industrial Technology Centre for their extremely prompt response to my recent request for immediate assistance. This prompt attention went beyond my expectations and meant that we were able to avoid having to make a running change on-line and an expensive rework while we waited for

Industrial Technology Centre

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Industrial Technology Centre

MINISTER'S LETTER OF TRANSMITTAL

June 29, 2007

The Honourable John Harvard
Lieutenant Governor of Manitoba
Room 235 Legislative Building
Winnipeg MB R3C 0V8

Your Honour:

I have the privilege of presenting the Annual Report of the Industrial Technology Centre for the year ended March 31, 2007.

Respectfully submitted,

Jim Rondeau
MINISTER OF SCIENCE, TECHNOLOGY, ENERGY AND MINES

DEPUTY MINISTER'S LETTER OF TRANSMITTAL

June 29, 2007

Honourable Jim Rondeau
Minister Responsible for the
Industrial Technology Centre
Room 333 Legislative Building
Winnipeg MB R3C 0V8

Dear Minister Rondeau:

I am pleased to submit for your consideration the Annual Report of the Industrial Technology Centre (ITC) for the year ended March 31, 2007.

ITC has now completed its first full year of operation at the Smartpark facility. ITC continues to build stronger collaboration in the areas of research and education with the University of Manitoba, and is partnering on projects with other Smartpark tenants.

ITC is broadening its client base, and now works with companies and other organizations across a wide range of sectors, including manufacturing, aerospace, life sciences, new media, transportation, agribusiness and resources.

ITC participated in the development of the Manufacturing Sector Economic Development Plan (MSEDP), along with stakeholders from industry, government and education. This plan provides a series of recommendations to grow Manitoba's manufacturing sector, and ITC will play an important role in the implementation of actions related to the adoption of advanced manufacturing technologies.

ITC's services continue to support technology-based economic development in Manitoba, and client feedback indicates these services provide substantial impact and contribute to the development of successful companies.

I would like to thank our Advisory Board for their support and commitment, and all staff for their contributions that make ITC a success.

Respectfully submitted,

John Clarkson

DEPUTY MINISTER OF SCIENCE, TECHNOLOGY, ENERGY AND MINES

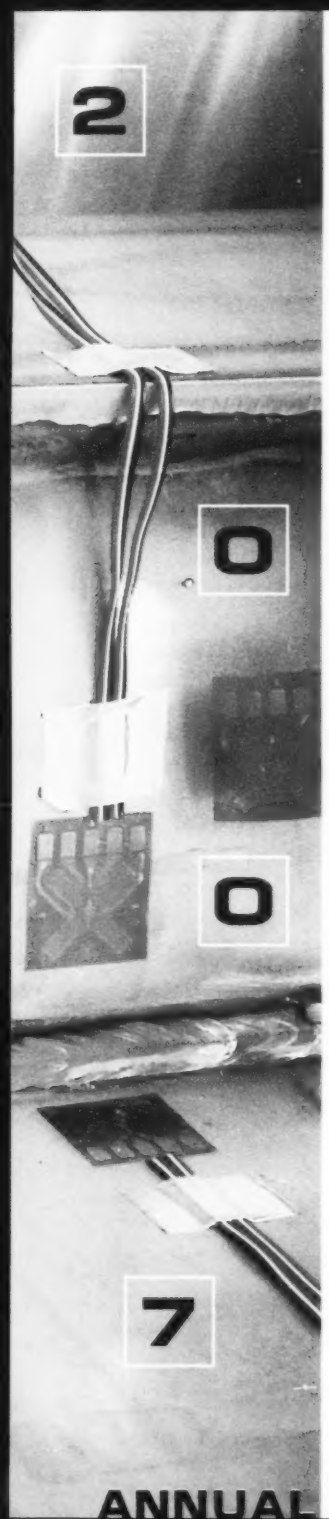
CHAIRPERSON OF THE INDUSTRIAL TECHNOLOGY CENTRE ADVISORY BOARD

"We have established a department that employs a dozen people, with sales of three million dollars."

Client survey response

Industrial Technology Centre

MESSAGE FROM THE CHIEF OPERATING OFFICER



June 29, 2007

On behalf of staff, I am pleased to report on the achievements of the Industrial Technology Centre (ITC) for the year ended March 31, 2007.

Our location at Smartpark has provided more opportunities to work in partnership with the University of Manitoba. Access to the high-speed network (CA4Net) enables ITC to undertake projects with research organizations that require the collaborative use of complex data sets. ITC is now working with clients in the knowledge-based sectors, including life sciences and new media.

ITC continued to provide a wide range of technical services to clients in Manitoba, and is successfully supporting their efforts to improve product design, manufacturing processes and quality. Independent surveys indicate that ITC provides high-quality, cost-effective services that benefit companies and help them improve their productivity.

During the year, investments were made to upgrade testing and noise/vibration analysis equipment, primarily to provide expanded services to the manufacturing and transportation sectors. Increasing engineering project revenues demonstrate that clients have confidence in ITC's specialized technical capabilities.

Our continued success is due to strong partnerships with all our stakeholders. I would like to thank our Advisory Board for their dedication and support, and staff for their hard work in making ITC an outstanding organization.

T. J. Cornell

Trevor Cornell
CHIEF OPERATING OFFICER

1 AGENCY PROFILE

1.1 Background

The Industrial Technology Centre (ITC) was established in 1979 and commenced operations as a Special Operating Agency (SOA) of the Province of Manitoba on April 1, 1996. ITC now operates under the authority of Manitoba Science, Technology, Energy and Mines (STEM).

The Deputy Minister of STEM chairs ITC's Advisory Board, which includes private sector representatives. The Board provides advice regarding ITC's strategic direction, structure, mandate, business practices, marketing, and financial reporting requirements.

ITC provides a wide range of technical services in support of technology-based economic development in Manitoba. ITC customers include Manitoba industry, entrepreneurs, and government departments and agencies. Services are provided on a fee for service basis and under an Economic Development Contribution Agreement (EDCA). The EDCA is a performance contract with STEM to support ITC's contribution to economic development activities in Manitoba. Clients seeking specific technical assistance may be existing or start-up enterprises, and range in size from individuals to large corporations.

ITC's services are categorized as:

- Technical Information and Advisory Services
- Engineering
- Lottery Ticket Testing (LTT)
- Virtual Reality Centre (VRC)

The economic development contribution from the Province is used to support technical information and advice, library services, and infrastructure for testing, product development, and the Virtual Reality Centre. These services support SMEs (small and medium-sized enterprises) that have limited R&D resources.

1.2 Vision, Mission and Goals

ITC'S VISION IS...

" To be recognized as the best resource for solving technical issues for the benefit of Manitoba."

ITC'S MISSION IS...

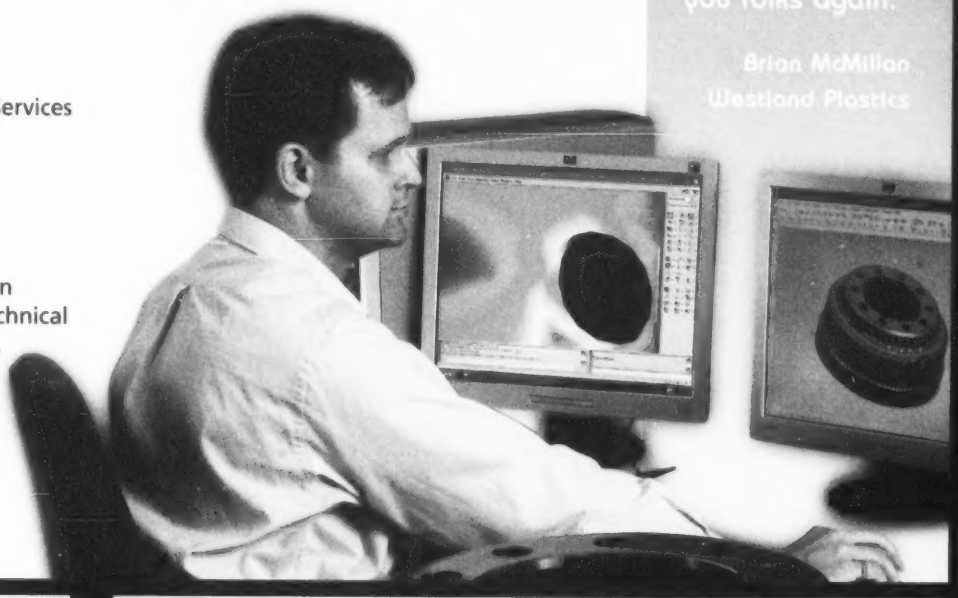
" As a team and in partnership with our customers, we are committed to provide creative technical solutions for the economic development of Manitoba."

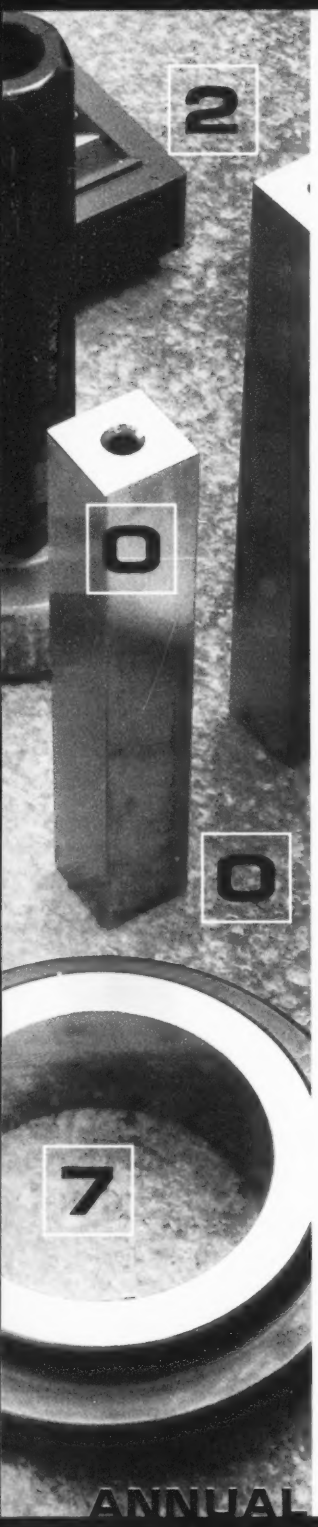
ITC'S GOALS, essential to fulfillment of its mission, are as follows:

- To help our clients anticipate, identify and apply appropriate technologies
- To support and contribute to economic development in Manitoba
- To sustain and enhance client relationships by providing high-quality, valued technical services
- To cultivate a work environment that promotes employee achievement, creativity, initiative and growth.

"We had a very rewarding experience with Michael Tomlinson and the ITC with regards to our project. The resources available gave us everything we needed to move forward in the right direction. We have other projects coming up and we will be calling on you folks again."

Brian McMillan
Westland Plastics





1.3 Service Lines

Technical Information and Advisory Services

ITC plays an important economic development role in Manitoba by providing technical advice and assistance to Manitoba industry, entrepreneurs and government departments and agencies. ITC is recognized as a critical part of the technical infrastructure required to help individuals and companies increase their competitiveness by developing new or improved products and processes. All ITC's technical staff provide technical information and advisory services (Technology Transfer) on an as requested basis.

ITC helps clients to define and understand technical issues, to develop methods of solving technical problems and, frequently, to implement solutions. In support of these activities, ITC uses its network of contacts and experts across Canada for technical advice and assistance that may not be available in Manitoba.

ITC has a technical library that provides crucial information and support to ITC staff and clients. The library houses a comprehensive collection of books, journals and reports in areas such as manufacturing, product and process engineering and materials. A range of industrial directories, guides and catalogues assist clients in sourcing components, equipment and services. ITC also has access to many worldwide databases, and has a public Internet access terminal for clients to source technical data.

ITC continues to develop its "Excellence in Manufacturing" Information Centre, which provides an enhanced library collection in current and new manufacturing technologies and philosophies, such as "Lean Production". ITC publishes manufacturing and bio-energy newsletters and technology updates, and delivers technical awareness workshops.

Customers include inventors, entrepreneurs, and companies in most industrial sectors in Manitoba. Easy access for the public, on-line links to international databases and skilled staff make ITC's library an invaluable resource.

Engineering

MECHANICAL TESTING

Mechanical Testing services are categorized as either Standard or Custom, defined as:

Standard Testing: Those tests that may be described as routine and undertaken (or priced) on a per sample basis. Tests include the measurement of such properties as hardness, impact resistance and strength. The Materials Testing Laboratory has been granted accreditation by the Standards Council of Canada (SCC) for specific tests, which is recognition of ITC's high standard of competence and credibility.

Custom Testing: Testing for which there may be no defined standard. ITC staff will help the client determine what properties or parameters are to be tested, and will identify or develop appropriate procedures to meet testing requirements. Examples include:

- Testing products or materials when no industry standard exists
- Testing components in their service environment

1 AGENCY PROFILE

DIMENSIONAL CALIBRATION

ITC is the only facility in Western Canada to offer accredited dimensional calibration services. The Calibration Laboratory Assessment Service (CLAS), jointly administered by the SCC and the National Research Council (NRC), has accredited and certified our calibration laboratory's technical capabilities and quality program.

Calibration services include the dimensional calibration of gauge blocks, micrometers, calipers, thread wires, thread plugs, thread rings, plain ring and plug gauges, discs, pins, snap gauges, length and height standards, and dial gauges, as well as pressure gauges up to 10,000 psi.

DIMENSIONAL INSPECTION

ITC's inspection capabilities include a Numerex coordinate measurement machine (CMM) and a FaroArm portable multi-axis measurement arm. Inspection services include detailed physical inspection of parts, comparison of components to CAD drawings and specifications, reverse engineering of assemblies, and part-to-part comparisons.

MACHINE/PRODUCT DESIGN

ITC's advanced modelling and analytical software allows us to undertake a wide range of design activities. This includes the 3D design of components and complex assemblies, structural analysis of both linear and nonlinear systems, as well as composite materials, and prediction of a system's vibration response to dynamic input forces. Prototypes are manufactured at ITC, or if required, in cooperation with local machine shops.

CUSTOM DATA ACQUISITION

ITC provides solutions to automate data collection and control processes using National Instruments hardware and LabView software.

NOISE MEASUREMENT AND CONTROL

ITC can identify and analyze excessive noise problems in the workplace and develop noise control solutions. We also perform building acoustic studies, and environmental assessments of noise levels using SoundPLAN noise modelling software.

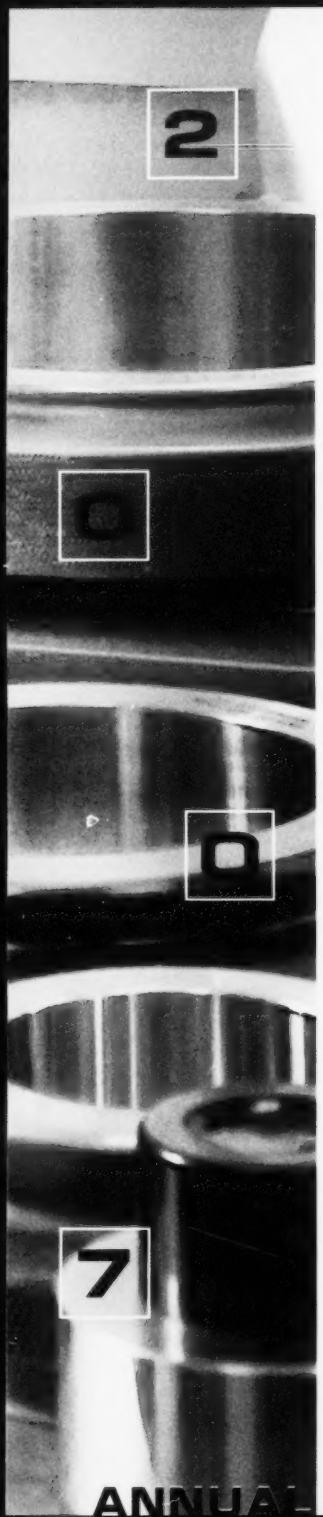
VIBRATION MEASUREMENT AND CONTROL

We help determine the causes of excessive vibration in equipment and structures and identify remediation measures. This service is valuable for product testing, equipment balancing, acceptance testing for compliance to vibration tolerance limits, and measurement and analysis of vibration from hand tools and other devices.

The market for Engineering services is primarily manufacturing companies in Manitoba. SCC and CLAS accreditations, ISO 9001 registration, and rapid turnaround times are distinct competitive advantages.

"Sharing a facility adjacent to the Industrial Technology Centre has been a very positive experience for the Composites Innovation Centre. Not only utilizing their extensive testing capability but also sharing of equipment, facilities and resources has allowed us to provide superior customer service."

Sean Molloy
Executive Director
Composites Innovation Centre



Lottery Ticket Testing (LTT)

Lottery Ticket Testing provides security and quality assurance evaluations of instant scratch off and break open lottery tickets, customized research programs to assist lotteries in evaluating new products and technologies, and evaluations of questioned documents.

Services are provided to lottery jurisdictions in Canada and internationally. ITC is the sole commercial Canadian laboratory providing these services.

Virtual Reality Centre (VRC)

The Virtual Reality Centre is a state-of-the-art facility that uses virtual modelling technology to facilitate improved:

- Product design and development, process re-engineering, urban planning, and architectural design
- Product marketing
- Development of software for specific scientific and engineering applications

The VRC is the only one of its kind in Canada that has been established to address industry and research needs on a fee for service basis. The Centre is designed to provide access to technologies that will enable companies to attain a competitive advantage in global markets.

1.4 Partnerships

ITC relocated to Smartpark on November 1, 2005 to work more closely with the University of Manitoba and other Smartpark organizations in advanced technology sectors. Collaboration with these and other stakeholders enhances research and training partnership opportunities between industry, government and academia.

Smartpark was established to bring together organizations involved in the development and application of advanced technologies. This approach creates clusters in sectors such as biotechnology, information and communication technology, and advanced manufacturing and materials. A number of advanced technology companies have located at Smartpark, and ITC forms part of an advanced manufacturing and materials cluster.

ITC provides a mechanism to bring together industry, government, academia and applied research organizations to undertake research, development and technology commercialization projects for the benefit of Manitoba, with a focus on advanced manufacturing, life sciences, and emerging technology sectors.

As an example of partnering with other research and development (R&D) organizations, ITC is a founding member of Innoventures Canada Inc. (I-CAN). I-CAN provides a "point of entry" for companies to gain easy access from anywhere in Canada to the combined resources of R&D organizations with specialized facilities, equipment and expertise for prototyping, product development, testing and technology commercialization. Other founding members of I-CAN include the Alberta Research Council (ARC), the Saskatchewan Research Council (SRC), and Centre de Recherche Industrielle du Quebec (CRIQ). I-CAN's first collaborative project involves research and development into the application of algae as a biofilter to reduce CO_2 emissions and produce renewable biofuels.

ITC participated in the development of the Manufacturing Sector Economic Development Plan (MSEDP), along with the manufacturing community. As part of the actions arising from this plan, ITC will work with stakeholders from industry, government and education to determine how ITC's services may be enhanced to support manufacturers as they develop and adopt new technologies that improve their productivity and competitiveness.

2 PERFORMANCE REVIEW

2.1 Sector Highlights

ITC made a significant impact in many different sectors during FY 2006/2007. Some sample projects are highlighted below:

Aerospace

Calibration, inspection, material testing, and specialized data acquisition support our clients' quality control systems, and contribute to improved design and safety.

- Tested new composite materials.
- Verified client's testing equipment.
- Ongoing dimensional calibration for several aerospace clients.

Agribusiness and Food

Material testing, data acquisition, technical information and machine design services result in the development of innovative products.

- Searched literature to improve processing methods, and to extend shelf life of a fresh food product.
- Strain testing of components.
- Analysis of zero-till seeder frame.
- Ultimate load testing using custom shear fixture.
- Ongoing material testing.

Building, Architecture and Construction

Noise and vibration analysis and material testing improve design and enable prevention and remediation of problems.

- Noise measurement at an apartment block.
- TV and radio studio sound measurement.
- Condominium interior wall sound insulation test.
- Proof loading of ceiling anchors.

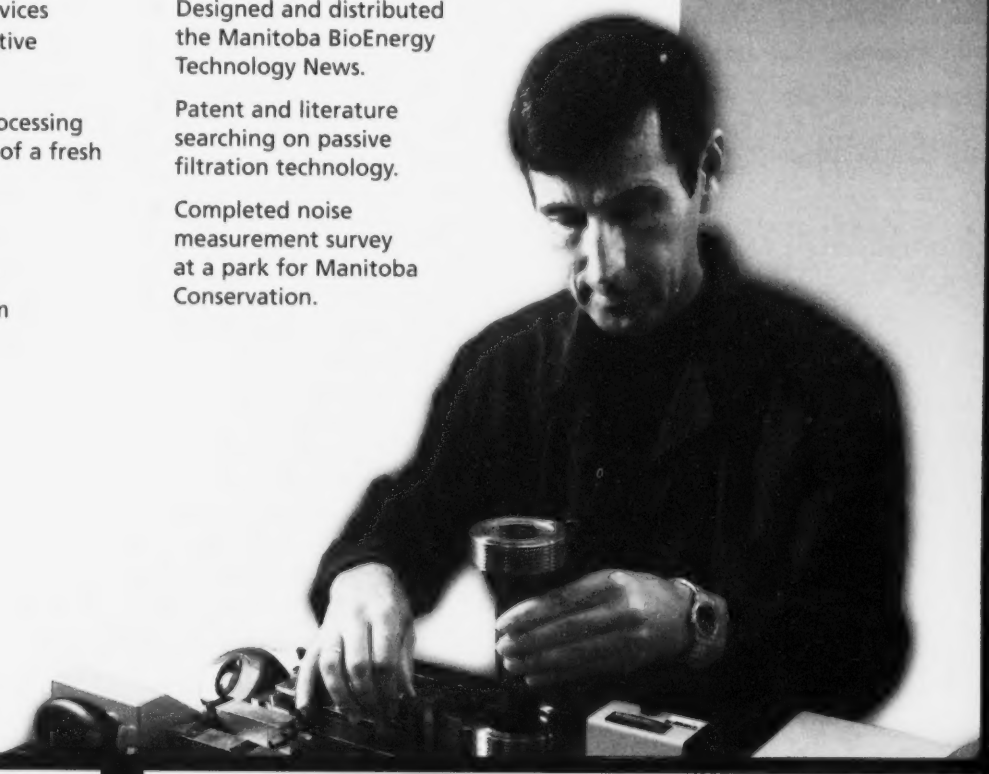
Environment and Resources

Material testing, finite element analysis, technical information and noise control services improve equipment and processes used in the resource sector, and remediate noise problems.

- Designed and distributed the Manitoba BioEnergy Technology News.
- Patent and literature searching on passive filtration technology.
- Completed noise measurement survey at a park for Manitoba Conservation.

"ITC has helped with improved processes, reducing turnaround time to get the product out faster."

Client survey response



2 PERFORMANCE REVIEW

General Manufacturing

All engineering services support clients' quality systems, improve products and processes, enhance productivity, and foster the adoption of advanced technology.

- Corrosion testing to evaluate and compare coating materials.
- Profile measurement and reverse engineering of a rotary engine cylinder.
- Acquired complete set of 2006 ASTM Standards.

Health

Product development, data acquisition and visualization services improve the design of equipment and processes used in the health sector.

- Tested components used in an MRI system.
- Continued to work with the Manitoba Institute of Cell Biology to pilot the Manitoba Visualization Network to enable research collaboration across MRNet.
- Noise measurement of an MRI machine to help reduce patient exposure to noise.
- Continued development of a diabetes research database design concept.
- Heart rate variability software analysis.

Public Infrastructure

Engineering and VRC services help support public infrastructure through improved design.

- Completed inlet structure visualization project for the Manitoba Floodway Expansion Authority (MFEA).
- Evaluated a sport facility's turf for shock absorbency.

Transportation

Custom data acquisition, dimensional calibration and inspection, material testing, and noise control services support clients' quality systems, evaluate components, and improve products and processes.

- Validated supplier of brake components for heavy vehicles.
- Measured interior and exterior noise on buses during road testing to ensure specifications are met.
- Provided technical information in the use of natural fibre composites in automotive applications.
- Conducted window "push-out" tests.
- Reverse engineering of brake drums and other automotive components.
- Tested a device allowing buses to stop close to curbs, allowing passengers to enter and exit more quickly.
- Qualified the design of a new windshield defroster.
- Cyclic corrosion testing to evaluate coating materials.

2 PERFORMANCE REVIEW

Wood Products

Material and product testing services support product improvement.

- Utilized the environment chamber to conduct extreme temperature and humidity testing on cabinet doors and dressers.
- Conducted load testing on drawers.

Partnerships in Research and Development

- Participating as a founding member of the I-CAN (Innoventures Canada Inc.) network, along with three other provincial research organizations. I-CAN is a "virtual network" providing companies access to specialized facilities and expertise for technology development.
- In support of an I-CAN project to reduce CO_2 emissions, provided patent and literature searching on using algae as a biofilter.
- Participated in the development of a Manufacturing Sector Economic Development Plan (MSEDP).
- Hosted "Why Games in Manitoba?" to demonstrate how the VRC can support the growing new media and gaming sectors.
- Collaborated in the development of new bio-reinforced composites.

Training, Skill Development and Technology Awareness

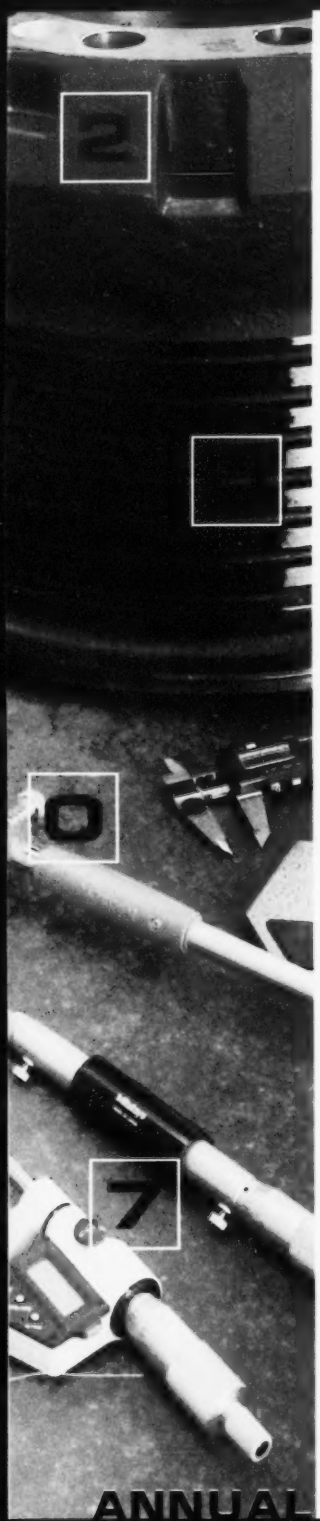
Conducted technology awareness sessions/workshops, including:

- Lean product development workshops, which demonstrated how to improve the product development process.
- "Design Adds Value" seminar, which illustrated how design can improve products and processes.

As part of ITC's Library and Technical Information Services, produced monthly issues of the Innovation & Technology Watch, the Advanced Manufacturing News, and the Manitoba BioEnergy Technology News.

"Betty has exhibited first-class professionalism in providing technical research assistance to us. She is courteous, knowledgeable and very customer-service oriented. Thanks!"

Al Stadnyk,
Research and Product Development
Loewen Windows



2.2 Results

STEM supports ITC for its economic development activities under the Economic Development Contribution Agreement (EDCA). In accordance with specified performance areas, customer and economic development impacts are measured using in-depth interviews with representative clients.

Performance Areas and Goals

Economic Development . . . . . .

To support and contribute to economic development in Manitoba

Customer . . . . . .

To sustain and enhance client relationships by providing high-quality, valued technical services

Operations . . . . . .

To identify and apply appropriate technologies

Learning and Growth . . . . . .

To cultivate a work environment that promotes employee achievement, creativity, initiative and growth

Financial . . . . . .

To continue to demonstrate sound financial management

Economic Development

ITC clients reported the following impacts in FY 2006/2007:

Impact of ITC Services

New Jobs Created 23

Jobs Saved/Maintained 2,162

The total of 2,185 jobs created or saved represents $84.0 million in wages based on an average annual manufacturing salary of $38,446 (March 2006, Manitoba Bureau of Statistics).

Sales Increase . . . . . $2.8 million

Cost Savings Identified . . . . . $1.3 million

Investment Increases . . . . . $10.6 million

Influence on Client Objectives . . . . . 91% of respondents reported that ITC had a positive impact on their organization.

These results are compiled from 70 client responses. No attempt has been made to extrapolate the impacts for ITC's entire project client base (approximately 300 clients).

Since inception as an SOA (FY 1996/97), the following outcomes have been reported by clients (financial results in millions):

Total Impacts

Jobs created or saved	6,533
Increased sales	$71.7
Increased investment	$102.1
Cost savings	$30.8

2 PERFORMANCE REVIEW

Customer

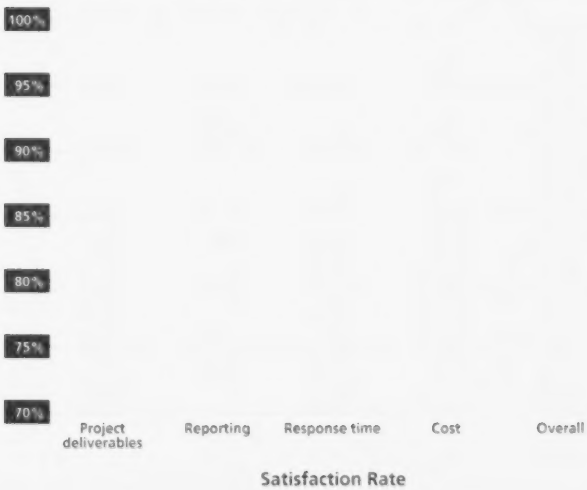
ITC maintains a system for capturing specific client satisfaction and other information, and results indicate very high satisfaction with our overall project performance.

Service category	Customer satisfaction target (FY 06/07)	Customer satisfaction result
Technical Information and Advice	90%	100% of clients surveyed in the economic impacts study reported a positive impact at their organization
Engineering	90%	93% of clients surveyed in the economic impacts study reported a positive impact at their organization Latest phone surveys (24 Engineering clients, January 2007) indicate the following satisfaction rates: Project deliverables – 95.8% Reporting – 97.9% Response time – 95.8% Cost – 97.8% Overall – 100.0%
Lottery Ticket Testing	90%	100%
Virtual Reality Centre	90%	100%

"Reduced rejects due to proper calibration of the equipment has resulted in reduced material costs."

Client survey response

Client Satisfaction Results



ITC's customer base consists of the following:

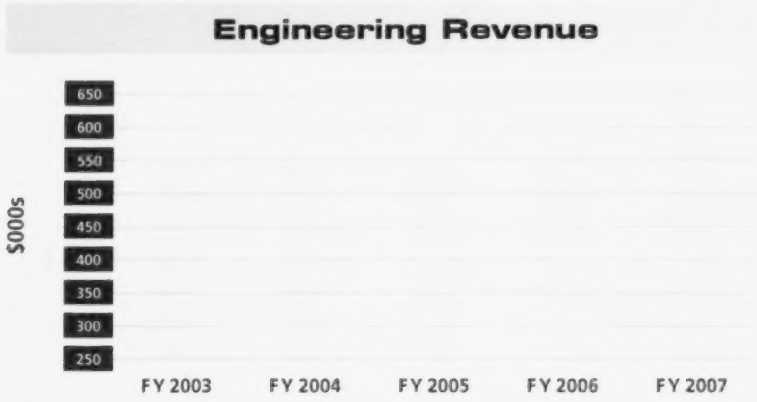
Customer Profile

Major Industry	Public Sector	SMEs
27.4%	5.1%	67.5%

SMEs (small and medium-sized enterprises) include manufacturers with fewer than 50 employees, consulting engineers, small service organizations and individual entrepreneurs.

2 PERFORMANCE REVIEW

The client revenue for Engineering has increased over the last five years as indicated by the following chart:



ITC management met with target sector clients during the year to help determine their needs and how ITC services may support them.

Operations

ITC continues to maintain ISO 9001 registration, with the following quality policy:

"The Industrial Technology Centre (ITC) will provide cost-effective, value-added technical services which will meet the commitments made to its customers."

Operational activities for the year included:

Assisted in the ongoing implementation of the Advanced Manufacturing Initiative (AMI) in collaboration with the Canadian Manufacturers and Exporters (CME).

Continued to build relationships and partnerships including:

- Canadian Manufacturers and Exporters (CME)
- Composites Innovation Centre (CIC)
- Innoventures Canada (I-CAN)
- National Research Council – Industrial Research Assistance Program (NRC-IRAP)
- University of Manitoba
- Vehicle Technology Centre (VTC)

Continued to review and develop services to match industry needs

Implemented capital plan

Maintained quality systems

- CLAS (Calibration Laboratory Assessment Service)
- SCC (Standards Council of Canada)
- ISO 9001:2000

Learning and Growth

Learning and growth activities for the year included:

Completed employee survey, which identified opportunities for improvement that are being addressed

Undertook the following training activities:

- Held seminar for all ITC staff – "Mastering Personal and Organization Energy"
- Engineering staff received training in Unigraphics design software
- Pulse sound and vibration conference
- North America Aerospace Testing Expo 2006
- International Manufacturing Technology Show
- PLM World 2006 (design and simulation)
- Interservice/Industry Training Simulation and Education Conference
- Training in upgraded Pulse system
- CPR training for all staff
- Various workshops and information sessions

Continued employee performance evaluations

ITC continues to review employee recognition program

2 PERFORMANCE REVIEW

Financial

ITC has now completed its eleventh year of operation as an SOA. As anticipated, financial results show a net loss for the year, resulting primarily from increased occupancy costs. ITC also implemented a general salary increase during the year to match the Provincial agreement. ITC has focused efforts on expanding client reach and project opportunities, and is closely monitoring expenditures.

The increase in other operating costs arose primarily from occupancy (including rent, property taxes, amortization of leaseholds and utilities), and equipment costs (including maintenance for enhanced design/analysis software, and equipment maintenance).

The results given in this annual report for FY 2006/2007 indicate that ITC has continued to demonstrate sound management, and has achieved recognition for the value and impact of its economic development activities. With the continued support of all stakeholders, ITC will meet the challenges resulting from an ever-changing business environment.

"By increasing reliability we do not need as much inventory."

Client survey response

($000s)	Current Year	Prior Year	Variance to Prior Year
Province of Manitoba	750	600	150
Fee for service	1,469	1,486	(17)
Other	141	105	36
Total revenue	2,360	2,191	169
Salaries and benefits	1,473	1,481	(8)
Other operating expenses	1,023	870	153
Total operating expenses	2,496	2,351	145
Net income (loss) before relocation	(136)	(160)	24
Relocation costs	–	123	(123)
Net income (loss)	**(136)**	**(283)**	**147**

Fee for service revenue results were strong again for FY 2006/07, and we were able to maintain, for the second year in a row, a one-to-one ratio between fee for service revenue and salaries. This demonstrates a high utilization of resources at ITC due to continued solid demand for project work.

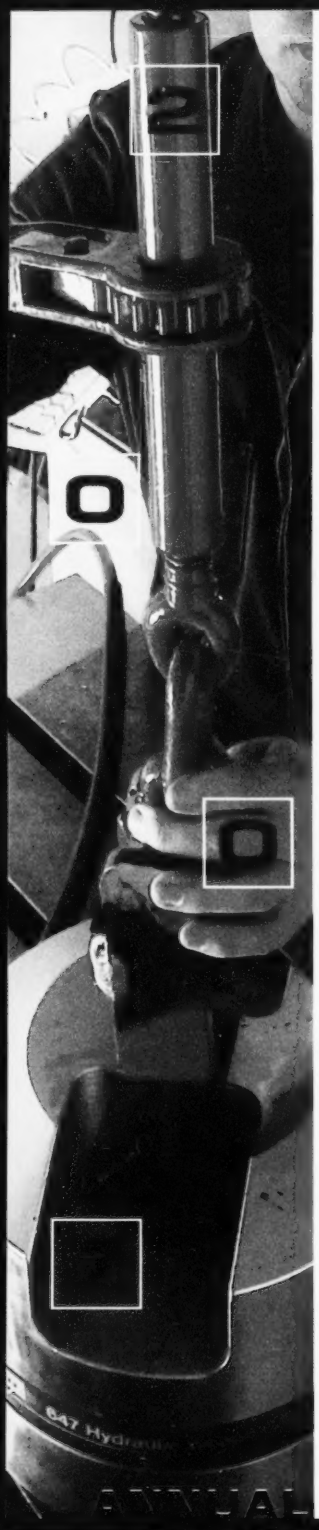
Fee for Service Revenue vs Salaries

Industrial Technology Centre

3

MANAGEMENT REPORT

For the year ended March 31, 2007



May 25, 2007

The accompanying financial statements of the Industrial Technology Centre (ITC) are the responsibility of management and have been prepared by ITC in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to May 25, 2007.

Management maintains internal controls designed to indicate responsibility, provide reasonable assurance of the reliability and accuracy of the financial statements, and properly safeguard ITC's assets.

The responsibility of the external audit is to express an independent, professional opinion lending assurance and objectivity as to whether the financial statements of ITC are fairly presented in accordance with Canadian generally accepted accounting principles. The auditors' report outlines the scope of the audit examination and provides the audit opinion.

On behalf of management,

Trevor Cornell
CHIEF OPERATING OFFICER

David Olafson
MANAGER, CORPORATE SERVICES

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AUDITORS' REPORT

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of the **Industrial Technology Centre** as at March 31, 2007 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

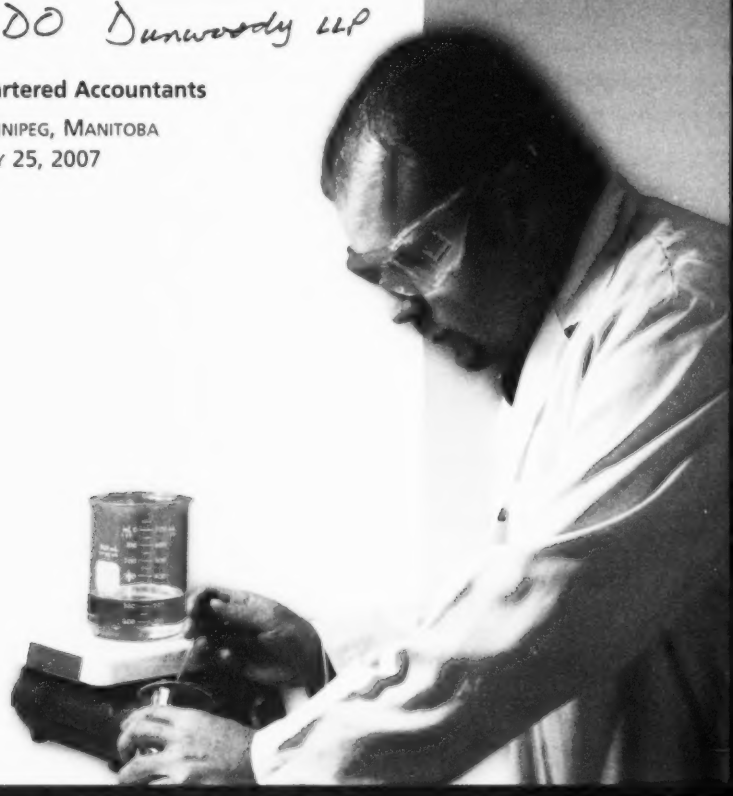
"ITC has helped with research and development by having specific knowledge of a product we are trying to develop."

Client survey response

BDO Dunwoody LLP

Chartered Accountants

WINNIPEG, MANITOBA
MAY 25, 2007



5 FINANCIAL STATEMENTS

as at March 31, 2007

Balance Sheet

	2007	2006
ASSETS		
Current		
Cash and funds on deposit with Minister of Finance net of working capital advance (note 3)	$ 41	$ –
Accounts receivable	327	198
Prepaid expenses	20	41
	388	239
Due from Province of Manitoba (note 4)	103	103
Capital assets (notes 2 and 5)	660	737
	$ 1,151	$ 1,079
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 448	$ 255
Severance liability (note 6)	213	198
	661	453
EQUITY		
Contributed equity (note 7)	62	62
Retained earnings	428	564
	490	626
	$ 1,151	$ 1,079

The accompanying notes are an integral part of these financial statements.

FINANCIAL STATEMENTS

For the year ended March 31, 2007

Statement of Earnings and Retained Earnings

	2007	2006
REVENUE		
Province of Manitoba	$ 750	$ 600
Fee for service	1,469	1,486
Other	141	105
	2,360	2,191
OPERATING EXPENSES		
Advertising and promotion	65	56
Amortization	170	152
Audit and legal	7	5
Bad debts	1	4
Building maintenance	39	55
Computer	44	45
Equipment	69	31
Fees and memberships	30	22
Insurance	42	48
Library operations	32	45
Loss on disposal	–	14
Office	49	59
Professional development	39	22
Project supplies and subcontract	56	65
Purchased services	4	4
Rent and property tax	296	186
Salaries and benefits	1,473	1,481
Travel	29	20
Utilities	51	37
	2,496	2,351
Net earnings (loss) before relocation costs	(136)	(160)
Relocation costs	–	123
Net earnings (loss)	(136)	(283)
Retained earnings at beginning of period	564	847
Retained earnings at end of period	$ 428	$ 564

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flow

Cash derived from (applied to):	2007	2006
OPERATING ACTIVITIES		
Net earnings (loss)	$ (136)	$ (283)
Items not involving cash		
Amortization	170	152
Loss on disposal	–	14
	34	(117)
Changes in non-cash working capital balances		
Accounts receivable	(129)	50
Prepaid expenses	21	(23)
Accounts payable and accrued liabilities	193	(109)
Severance liability	15	6
	134	(193)
INVESTING ACTIVITIES		
Acquisition of capital assets	(93)	(422)
Net increase (decrease) in cash and cash equivalents	41	(615)
Cash and cash equivalents at beginning of period	–	615
Cash and cash equivalents at end of period	$ 41	$ –
Represented by:		
Cash and bank	$ 23	$ –
Funds on deposit with the Minister of Finance	18	–
	$ 41	$ –
Interest revenue included in cash flow from operating activities	$ 5	$ 9

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

1 Nature of Organization

The Industrial Technology Centre (ITC) was established in 1979 under "Enterprise Manitoba", a joint Federal/Provincial cost-shared funding agreement. ITC was managed by the Manitoba Research Council until September 1992 when responsibility for ITC was transferred to the Economic Innovation & Technology Council (EITC). ITC was created as a technical resource for Manitoba industry and government and continues to provide a wide range of technical services to both the private and public sectors.

Effective April 1, 1996, ITC was designated as a Special Operating Agency under The Special Operating Agencies Financing Authority Act, Cap. S185, C.C.S.M., and operates under a charter approved by the Lieutenant Governor in Council. ITC operates as part of Manitoba Science, Technology, Energy and Mines under the general direction of the Deputy Minister.

ITC is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances ITC through working capital advances. The financial framework allows the Agency to operate in a business-like manner, which is facilitated by SOA status.

A Management Agreement between SOAFA and the Minister of Science, Technology, Energy and Mines assigns responsibility to the Agency to manage and account for the Agency-related assets and operations on behalf of SOAFA.

An Economic Development Contribution Agreement between ITC and Manitoba Science, Technology, Energy and Mines defines expected public policy benefits generated from ITC's operations.

ITC has full delegated authority for all administrative, financial and operational matters. This delegation is subject to any limitations, restrictions, conditions and requirements imposed by legislation or by the Minister.

2 Significant Accounting Policies

BASIS OF REPORTING

The financial statements are prepared in accordance with Canadian generally accepted accounting principles.

CAPITAL ASSETS

Capital assets are recorded at cost. Amortization, intended to write off the assets over their estimated useful lives, is recorded at the following annual rates and methods:

Furniture and fixtures
20%, declining balance

Office and laboratory equipment
20%, declining balance

Computer equipment and software
20%, straight-line

Leasehold improvements
10%, straight-line

GOVERNMENT ASSISTANCE

Non-repayable government assistance relating to capital expenditures is reflected as a reduction of the cost of such assets.

FINANCIAL INSTRUMENTS

The Agency's financial instruments consist of cash and funds on deposit, accounts receivable, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

REVENUE RECOGNITION

Province of Manitoba funding is recognized over the term for which it applies. Fees for service are recognized as the service is performed.

USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Notes to Financial Statements

3 Working Capital Advance

The Agency has an authorized line of working capital advances up to a maximum of $300. As at March 31, 2007 working capital advances were nil (2006 – nil). The line bears interest at prime less 1% and is not secured by specific assets.

4 Due from Province of Manitoba

The Province has accepted responsibility for the severance benefits accumulated by ITC's employees to March 31, 1998. Accordingly, the opening severance pay liability balance as at April 1, 1998 calculated at $103 was completely offset by a receivable from the Province. The receivable from the Province, or portion thereof, for the Industrial Technology Centre, will be collected in the event there is a cash shortfall. However, this is only likely to happen on the dissolution of the Industrial Technology Centre.

5 Capital Assets

	2007		2006	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and fixtures	$ 10	$ 4	$ 10	$ 3
Office and laboratory equipment	955	651	932	581
Computer equipment and software	657	473	592	393
Leasehold improvements	191	25	186	6
	$ 1,813	$ 1,153	$ 1,720	$ 983
Net book value		**$ 660**		**$ 737**

The Agency has entered into an agreement with the Vehicle Technology Centre (VTC) whereby the purchase of a capital asset with a value of $119 would be paid for by VTC, with no specified repayment terms. The assistance to be received is currently in Accounts Receivable and offset against the asset value.

6 Severance Pay Benefits

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. The Industrial Technology Centre's actuarially determined net liability for accounting purposes as at March 31, 2007 was $213 (2006 - $198). Commencing in the 2006 fiscal year the actuarial gain of $76 is being amortized over the 15-year expected average remaining service life of the employee group.

Notes to Financial Statements

7 Contributed Equity

A Transfer Agreement between the Special Operating Agencies Financing Authority (SOAFA) and Manitoba effected a transfer of capital assets, current assets and current liabilities from Manitoba to SOAFA as at March 31, 1996. Net assets in the amount of $124 were transferred to continue the operations of ITC. ITC has repaid SOAFA the debt portion of $62 (50% of the value of the net assets) and recorded the remaining $62 (50% of the value of the net assets) as Manitoba's equity in SOAFA as related to the Agency's operations.

8 Commitment

The Agency has entered into a lease agreement for the rental of a building at Smartpark, with space of 24,118 square feet. Of this space, ITC occupies 19,032 square feet, with 5,086 square feet being sublet to the Composites Innovation Centre (CIC). Occupancy costs pertaining to the CIC will be recoverable from them. This ten-year lease requires future lease payments as follows:

	ITC	CIC	Total
FY 2007/08	$ 174	$ 47	$ 221
FY 2008/09	184	49	233
FY 2009/10-FY 2014/15	189	51	240
FY 2015/16 (7 mos)	110	30	140

9 Pension Benefits

In accordance with the provisions of the Civil Service Superannuation Act, employees of the Centre are eligible for pension benefits under the Civil Service Superannuation Fund. This pension plan is a defined benefit plan, which requires the Centre to contribute an amount equal to the employee's contribution to the Fund for current services. The amount contributed and expense by the Centre for 2007 is $71 (2006 - $73).

The Centre has no further liability associated with the annual cost of pension benefits earned by the Centre's employee

10 Related Party Transactions

The Agency is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Agency enters into transactions with these entities in the normal course of business.

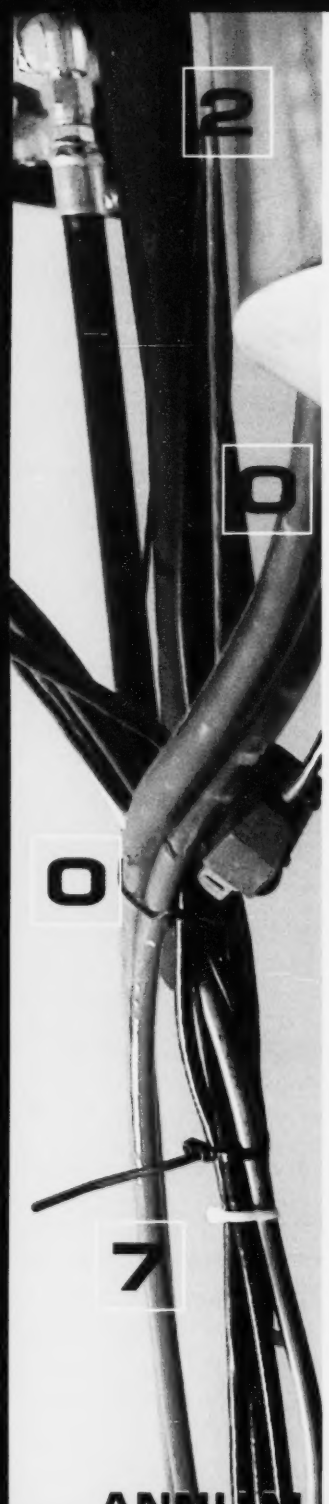
11 Public Sector Compensation

Pursuant to The Public Sector Compensation Disclosure Act, employees of ITC who have received compensation of $50 or more, including benefits and severance payments, in the year ended March 31, 2007, are disclosed in the Special Operating Agency Financing Authority (SOAFA) annual report. This compensation information is also available in ITC's Library.

Appendix 1

STAFF

as at March 31, 2007



- Diane Chicheluk
- Trevor Cornell, B.Sc. (Hons., M.E.), C.Eng., P.Eng.
- Betty Dearth, B.A., M.I.L.S.
- Sandra Fotty, B.A.
- Danny Fredette, Journeyman Machinist
- Daniel Godin, Dip. Mech. Eng. Tech., C.E.T.
- Sandra Graff
- Dale Kellington, B.Sc.
- Dragomir Kojic, C.E.T.
- Judith Lesprance
- Shawna Levesque, Clerical Bookkeeping Certificate
- Stephen McKendry-Smith, Dip. Biological Tech.
- David Olafson, B.Sc., B. Comm. (Hons.), C.G.A., C.C.P.
- Jeongsoo Park, B.Sc., M.Sc., Ph.D. (M.E.), P.Eng.
- Tim Peters
- Gord Pizey, B.Sc. (M.E.), M.Sc, P.Eng.
- Sharon Ratushniak
- Tony Robak, Millwright, C.Tech.
- David St. Jean, Management Studies Certificate
- Myron Semegen, C.E.T.
- Michael Thomlinson, B.Sc. (M.E.), M.Sc. (I.E.), P.Eng.

Appendix 2

ADVISORY BOARD

John Clarkson
(Chairperson)
Deputy Minister
Science, Technology, Energy and Mines
Room 349 Legislative Building
Winnipeg, Manitoba
R3C 0V8

Ken Carr
Representing the
Manitoba Aerospace Association Inc.
51 Woodgreen Place
Winnipeg, Manitoba
R3J 1H4

Roy Cook
Chief Operating Officer
Monarch Industries Limited
51 Burmac Road, P.O. Box 429
Winnipeg, Manitoba
R3C 3E4

Richard Krohn
Director of Product Development
Casana Furniture Limited
630 Kernaghan Avenue
Winnipeg, Manitoba
R2C 5G1

Al MacAtavish
Manitoba Hydro (retired)
P.O. Box 127J, RR5
Winnipeg, Manitoba
R2C 2Z2

Paul Soubry L.L.D. (Man.)
63 Ridgedale Crescent
Winnipeg, Manitoba
R3R 0B2

Ed Van Humbeck
Director
Vansco Electronics Ltd.
103 Kinkora Drive
Winnipeg, Manitoba
R3R 2P5

Trevor Cornell
Chief Operating Officer
Industrial Technology Centre
200-78 Innovation Drive
Winnipeg, Manitoba
R3T 6C2

Stephen McKendry-Smith
Staff Representative
Industrial Technology Centre
200-78 Innovation Drive
Winnipeg, Manitoba
R3T 6C2

"They are knowledgeable and very professional in how they conduct themselves."

Client survey response

Industrial
Technology
Centre

200 78 Innovation Drive
Winnipeg, Manitoba R3T 6C2

PH: 204 480 3333
1 800 728 7933
FAX: 204 480 0345

www.itc.mb.ca